

Montana Wheat and Barley Committee Winter Board Meeting
Thayer Conference Room, MSU Ag BioScience Building
February 20 – 23, 2006
Bozeman, Montana

(Note: Please read entire set of minutes as various topics are referenced in more than one place.)

The following were present for either a portion of or the entire meeting.

DIRECTORS

Dan DeBuff	Karen Schott
Robert Candee	Frank Schoonover
Janice Mattson	Brian Kaae
Don Fast	

EX-OFFICIOS

Dr. Jeff Jacobsen, Dean; Montana State University College of Agriculture

STAFF

Kim Falcon
Cheryl Tuck

GUESTS

Terry Whiteside, Freight Rate Consultant; Whiteside and Associates
Leonard Schock, Producer from Vida, Past MWBC Director and Chairman of U.S. Wheat Associates (USWA)
Peggy Stringer, Head Statistician; Montana Agricultural Statistics Service (MASS)
Robert Bold, Producer from Winifred, Past President; Montana Grain Growers Association (MGGA)
Douglas Steele, Extension Director/Vice Provost; Montana State University (MSU)
Sandra DeBuff, Producer from Shawmut
Joel Clairmont, MDA Deputy Director and Administrator; Agricultural Development Division

Following a strategic planning session on February 20, 2006, from 8:00 a.m. until 5:00 p.m., in order to utilize some remaining time to go over some items not discussed during the actual strategic planning process, Kim Falcon, Executive Vice President, conducted a quick review of the following, stressing they are not concerns, but the Committee should have an opportunity to review them.

Grants – Janice Mattson asked if there were any legalities to investigate and determine if the Committee could use grant funds. Joel Clairmont felt producer dollars are “hard” and could be used to demonstrate a match for grants. He thought producers would be appreciative if the Committee would supplement their check-off dollars with grant monies. He also indicated it would probably take someone ten days to write a grant – one could hire a grant writer, or perhaps someone from the Montana Department of Agriculture could assist Falcon with research for any grant writing process. Don Fast, echoed by Karen Schott, encouraged Falcon to pursue appropriate grants, with Board review, to leverage producer dollars.

Handling of trade teams – Responding to the question from Falcon, “Is there anything different we should be doing?” it was generally agreed that most teams like to visit farms and the MW&BC office should utilize Board directors, whenever possible. Cheryl Tuck asked if refunders should be asked to participate. Frank Schoonover cautioned if that is done, the director from the refunder’s district should preview the selection first. Schott reminded those present that the trade team schedules should be sent to directors when they become available. Chairman DeBuff added that he could see potential benefits to incorporating refunders with trade team activities.

Bridge building activities – Fast suggested that the Pulse Growers should be involved. They are primarily wheat growers. The office, on behalf of the directors, should congratulate them on their new organization and offer to assist them in any way we can. Chairman DeBuff added that additional groups to contact should also

include Reclaim Rural America, Northern Plains Resource Council and the Pea and Lentil Association. Falcon mentioned she is working more frequently with the Montana Grain Elevator Association.

Trouble shooting – Falcon stated she needs more and more timely feedback on emerging issues, giving the examples of chemical residues and the green pea issue. The directors suggested she e-mail the Board and take whatever feedback she gets within 24 hours. If she needs additional direction, she should contact the chairman. Falcon should indicate the level of urgency in her e-mail and directors should try to weigh in on the issue right away.

Press response – It was determined that individual directors can be contacted for quotes to the media. Fast suggested, whenever possible, that directors be given advance notice if media may be contacting them, and, on what issue.

Information/public relations – A big, if not the biggest concern, is the cleanup and update of the MW & BC web site, according to Schott. It needs to be more functional and Schott mentioned the Wheat Foods Council utilized a contracted service to set up their new web site and it is very “user friendly”. She will give Falcon contact information on this firm.

Concerning the Friday Letter, Fast said the Board must continue to receive information on refunders so that they may follow up. It was determined the Friday Letter should be resumed, in hard copy form and, except for organization newsletters, enclosures will be kept to a minimum.

Falcon asked for suggestions for Public Service Announcements (PSA) topics, with the idea they will be utilized again in the future.

Discussion was directed to other methods of communicating the Committee’s messages, including perhaps having each director sign off on something written by Tuck, in layman’s terms. Guest opinions could be submitted to rural newspapers. Fast might do an Op Ed piece on parasatoids by giving Tuck some key points to write up. Clairmont offered Ron Zellar as someone who could help with the “ghost writing”. Another suggestion for an Op Ed piece, coming from Schoonover, would address the issue about why our new executive has to be out of the office so often.

Surveying producers should probably be an informal process by the directors. Fast gave the example of waiting in line to unload grain – a situation in which directors can visit with their neighbors. Brian Kaae said perhaps asking one question could be effective and illicit more response than a larger full-blown survey. The example he offered, “What is the single biggest concern on your farm?”

It was reiterated that the pricing information is of vital importance. The office should ask Japanese buyers what they’d like to see on our web site.

Staffing needs – DeBuff asked Clairmont where the process was in taking a full time employee (FTE) from the State Grain Lab to work at the MW & BC office. The fact the Lab doesn’t yet have a Bureau Chief has slowed progress on this plan. Clairmont mentioned he felt the Committee would be successful going to the legislature in getting another FTE. That notwithstanding, it could be a more efficient use of human resources to go to the Lab for this FTE.

The strategic planning session ended.

While not formally convened as a regular portion of the MW & BC Board of Directors, Dean Jacobsen, at 7:30 a.m., on February 21, 2006, briefed those assembled on the fiscal picture for the College of Agriculture at MSU. He prefaced his comments by remarking that the joint gathering of the Montana Farmers Union, the

Montana Farm Bureau Federation, the Montana Grain Growers Association, MSU representatives from the College of Agriculture, and the MW & BC the previous evening was a successful event and a good way to kick off this set of meetings.

Jacobsen was pleased at the timing that allowed him to go to the Legislature this last session and be able to announce he had met his match with a \$142,500+ check from the Burlington Northern Santa Fe Railway Foundation. As a result of this funding, \$2,000,000 worth of construction is taking place at the research stations. This is unprecedented. Still, a large inventory was taken and, on the basis of this survey, another \$10,000,000 is needed, in part because "money doesn't buy as much as it used to."

Jacobsen is already working in preparation for the next legislative session, working with Director Nancy K. Peterson and the state budget director. Jacobsen put forward a request for \$3,000,000 on a list for one-time funding. He has \$2,000,000 in equipment needs which includes tractors, trucks and some lab equipment. He would consider a match for this need, if the state legislature were to offer such an opportunity.

Jacobsen would like to have an animal research facility comparable to the Plant BioScience building. The federal government, USDA Agricultural Research Services (ARS), is planning construction of a facility and MSU personnel could work there. He has \$12,500,000 in spending authority and has raised \$5,600,000 for a facility to house classrooms and meeting rooms, etc. Jacobsen mentioned some potentially large donors will be involved in the fund raising.

Jacobsen expressed hope that the funding drive will be completed in two years. Once 80% of the amount is reached, architects could be hired. If all of this comes to pass, this northeast corner of MSU's campus would basically be all agriculture-oriented.

Referring back to the earlier mentioned ARS facility, actually \$20,000,000 would be needed for bricks and mortar. Progress is being made, but Jacobsen stated it is unfortunate to have to do it this way in such a piecemeal fashion.

On another matter, Jacobsen mentioned he felt the experiment stations were getting short-changed by about 20%, due to the way the budget calculations are made in Governor Schweitzer's office. He feels the Governor's office is very good to work with on this matter, requesting to be "educated" on Jacobsen's side of the issue.

In Jacobsen's proposed budget, he is being allowed 3% for weed initiatives and support personnel. He is looking at a bio-control and an integrated weed management position and support personnel for research to be sited, one on campus and one at the research stations.

Jacobsen reviewed the status of several searches/interviews for new positions:

- A plant pathologist (replacement for Jack Riesselman) is an extension position and there are four candidates being interviewed
- A beef livestock specialist – one offer was made but that individual turned the offer down so it was offered a second time and that offer is pending. This position is based in Miles City.
- A horticulture teaching position.
- Don Anderson's former position in Havre, for which interviews are ongoing.
- Don Long's former position. The first screening has taken place, but it has been a very slow process.
- An extension specialist in cropping systems in Huntley. This search is in its infancy stage.
- Jacobsen's former position in soil fertility.

Federal initiatives that Jacobsen reported on included the Rural Development barley program. Tom Blake is involved with this (\$750,000) and the Wheat Cap project on which Luther Talbert is the co-principal investigator (\$5,000,000 and a 25-state collaboration).

Experiment stations get federal funds as part of a nationwide system through land grant facilities.

In formula funding model scenarios from the Office of Management and Budget, Jacobsen anticipates the program will be reduced to the possible equivalent loss of fifteen researchers if the President's budget is implemented. Another funding method comes from the competitive grant process, pitting one land grant facility against another.

Chairman DeBuff called the meeting to order at 7:40 a.m. on February 22, 2006. To accommodate his tight travel schedule, Terry Whiteside gave his presentation first, briefing the Board on his trip the day before with Governor Schweitzer, Director Peterson, Doug Buttrey, Chairman of the Surface Transportation Board (STB), Jim Lynch, Director of the Department of Transportation, and Greg Jergeson, head of the Public Service Commission. Carla Allen, Manager of Central Montana Rail, and Mike O'Hara, President of the Rail Competition Council, also participated in the helicopter tour, which ended at Lewistown. Buttrey acknowledged that Montana had worse problems with transportation than almost anywhere else. He said, in the Staggers Act, Congress was instructed to come up with a balance between the railroad and the shippers and because the BNSF was at or very close to "revenue adequacy", the balance should start to tip toward the producers (shippers). Buttrey indicated he was hunting for a model railroad which depicted good public service and he felt the CMR was this railroad. This was Buttrey's second trip to Montana in five months and he had not traveled to any other state. While in Montana, Buttrey also visited with representatives from Pasta Montana and the Montana Grain Growers Association. Buttrey will open listening sessions in early March on paper barriers. Whiteside felt Buttrey was affected positively by what he experienced on this trip.

North Dakota is going to file a complaint against the BNSF under small rate case rules. This is a more limited approach than the class action suit under the old McCarty Farms legal action. If North Dakota wins an "origin/destination" pair as being rate unfair, the railroad will have to "feather" the rates around the area and then the BNSF will counter file. Whiteside suggested that one half of what may be realized from the first successful filing could be invested into a fund earmarked to file the next rate case. North Dakota is working with the Great Plains Transportation Institute, the growers' association, the state of Montana, and the organization headed by Steve Stregge, North Dakota Grain Dealers Association.

Concerning the "Churchill Project", Whiteside reported he needs to further investigate the possibility to backhaul Russian urea for fertilizer production. Currently, there may be a 150% U.S. tariff on this product and Leonard Schock and Kim Falcon will determine if there is a tariff in place and, if so, what could be done to get it reduced.

Schock mentioned he is still waiting to find out some results of tests run on grain samples he brought to Canada. He is checking for discrepancies between U.S. and Canadian tests. So far, Canadian tests results were all lower than U.S. results. Canada only ran protein and moisture tests. Montana State Grain Lab samples are done on a 12% moisture basis and this may not be the case in Canada. The objective to this preliminary work on testing is to ensure that the buyer and seller both have standards they can accept.

Cheryl Tuck reported on the phytosanitary requirements to export wheat to Canada from specific counties; the need to find out more from the Federal Grain Inspection Service and the U.S. Customs Office. Additionally, "grain-in-transit" is a concept that needs further explanation and follow-up to see if it is germane to the Churchill project.

Schock presented his Executive Officer USWA report, now representing Montana as Chairman of the national organization. He reviewed latest World Wheat Production and Ending Stocks figures, mentioning world wheat production is unlikely to keep up with demand in 2005-06. The world is projected to use 628 MMT while producing 614 MMT, leaving a 14 MMT decline in wheat stocks. Wheat is the only major crop not enjoying GMO tech input to boost yield. There are many reasons for this, including the complexity of the plant itself. The projected wheat production of 614 MMT will be the third largest on record. World wheat trade is not expected to increase much in 2005-06, and this implies that market rallies are really more about supply dislocations. India will emerge as a wheat importer by mid-2006. China's position, of course, depends on their 2006-07 domestic production. Rumored winterkill in the Black Sea region could tighten global supplies. The U.S. is responsible for 25% of the world export market. Schock added he felt the brunt of price rationing will have to be done in hard wheat markets where demand continues to rise, year to year, as world per capita incomes climb, especially in high population countries like India and China. It is important to understand it is a shortage of hard wheat that is fueling the present bull market. Prices and spreads must reach economic levels that will cause end-users to switch to lower priced soft wheat. As for where this magic number is – 90¢ to a dollar Kansas City over Chicago, is an historic high. Schock gave other fundamental scenarios but reiterated that world wheat demand is outstripping wheat production, in part because of increase in oilseed and feed grain production, adding that perhaps it is a blessing there is no GMO wheat if this absence is keeping the “pile of wheat” smaller. This fact will keep a volatility in the world markets as spring unfolds, and possibly for a couple of years to come. Based on his interpretation of the current market situation, he suggested to “Get some wheat sold soon.”

Schock recapped the Nigerian wheat situation. Nigeria has been the biggest wheat buyer of HRW this year, at 23 MMT. Food shortages and spiraling upward prices of basic food products account for their increased demand. Total wheat imports may increase 3.9 MMT for this crop year due to low production, and famine in neighboring Niger. Schock explained Nigeria wheat consumption has increased substantially over the past year because the prices of wheat-based products have remained low in comparison to competing food. In other words, shortages of yams have shifted demand to bread, which is affordable and convenient. Domestic usage of wheat is at its highest level ever. Baking operations are expanding to meet the growing demand. Still, a major portion of wheat processed in Nigeria is exported or smuggled to other border countries. 90% of Nigeria's imported wheat will be sourced in the U.S. Baltic-origin wheat is entering that market, mostly for feed. Competition from Canada and Argentina is heating up for the durum and soft wheat markets in Nigeria as domestic production is struggling with most farming being of “subsistence” type. As Nigeria's population continues to grow with only limited crop production, increased demand will continue to intensify, making for a bright potential for U.S. HRW wheat. Schock observed that Iraq and Nigeria are “tag-teaming” for U.S. HRW.

Schock also presented his portion of the USWA San Antonio meeting report, mentioning a bylaw change which says member states no longer have to be fully funded to go through the executive chairs. There has to be a two-thirds approval for this to be permitted, however. This bylaw has not yet been tested and Schock suggested, “We will need to see how this plays out. It may need to be revisited.”

Chairman DeBuff feels USWA should be run by the states who pay the bills and, therefore, every vote should be a weighted vote, unless it is on a really insignificant issue.

Schock gave the USWA report to the National Association of Wheat Growers, also in San Antonio. He said they eliminated the word “travel” from their trade policy resolution, and, using wheat to Cuba as an example, he submitted “travel” is a vital part and should have been included, observing NAWG “has never been on board” with fighting for the Cuban market.

Falcon was given the directive by the Board to contact Jon Stoner and Dale Schuler and visit about the importance of including “travel” in their trade policy resolution.

Schock reported that Hard White Wheat surveys containing four questions were sent out to all overseas offices.

Mattson said Foreign Market Development (FMD) dollars are not matched, dollar for dollar, but rather FMD funds are calculated on a formula. She stressed it is very critical to submit a comprehensive Goods and Services Cooperator report detailing everything the MW&BC office and directors do towards market development.

The Board went into Executive Session at approximately 9:30 a.m. and the regular portion of the meeting was reconvened by Chairman DeBuff at approximately 10:30 a.m.

Peggy Stringer briefed the Board on MASS activities. She distributed county production estimates for wheat and barley, mentioning Wheatland County is now included in the published cropping practices. Chouteau is the number one All Wheat producing county in Montana, representing 13% of the total state production. The North Central Crop Reporting District (CRD) produces 47% of the state's wheat. Chouteau is the state's top winter wheat producing county. The Northeast CRD produces 47% of the state's spring wheat, with Valley County responsible itself for 10%. Spring wheat production is down 18%, but yields increased by one bushel per acre. 14% of the state's barley production comes from the Northcentral CRD. Production is down about 20% and yields dropped about three bushels per acre.

Schoonover observed that Teton County barley production is decreasing. In this area, contracts for dryland barley are no longer being offered and producers are switching to spring wheat or durum.

Stringer advised that MASS is getting ready to conduct its March Planting Intention survey and producers will be contacted. She distributed the NASS Crop Report calendars for 2006.

Schott formally called the meeting to order, for Chairman DeBuff, at 10:45 a.m. after having to accommodate presenters who needed to travel in time slot changes on the agenda.

1) M/S/C Dan DeBuff and Frank Schoonover – That the tentative agenda, with indicated changes, be adopted.

A call was made for public comment. None was made, as no guests were present at this time.

The October 2005 meeting minutes were reviewed with extensive changes itemized after all Board and ex-officio members sent in their changes, additions or corrections. Each change was reviewed by Falcon. Some of the changes were additional comments that were not discussed at the October meeting and therefore could not be included in the minutes. Jacobsen suggested the addition of a phrase, on future meeting minutes, to mention that topics on specific issues may be found in numerous locations in the minutes, due to the nature of the course of discussion. A general consensus affirmed this should be done.

Discussion was held regarding the hiring process for the Executive Vice President position. Director Peterson requested that the minutes show she based her final decision on that one-on-one interview, as well as information from the rest of the hiring process. The collective memory of the group was that there had been no mention of the "rest of the hiring process" in the statement made in October.

2) M/S/C Dan DeBuff and Janice Mattson with Robert Candee abstaining – That the sentence in the draft minutes remain, as originally stated: "Director Peterson offered Kim Falcon the MW & BC Executive Vice President position based on this final, one-on-one interview session."

Discussion was held on whether an abstained vote is a "no" vote, and Kaae will research the answer and inform the Board.

Discussing format for listing names, if two people with the same last names attend and/or present at any future meetings, the minutes should reflect this differentiation with titles such as Mr. Schott and/or Ms. Schott. Lacking this scenario, Falcon should give direction on how the minutes will be notated, but there should be consistency.

3) M/S/C Janice Mattson and Dan DeBuff – That the minutes of the October 2005 meeting be approved, as corrected.

4) M/S/C Dan DeBuff and Janice Mattson – That the minutes of the December 2005 meeting be approved, as written and submitted.

Falcon reviewed the financial statement for the Board, highlighting a few items. The percentage of refunded amounts paid back to producers is comparable to previous years, but the actual number of refunds is up somewhat, mainly for a familiar reason – the producer needs money to pay bills.

Falcon mentioned that this next year, "We'll visit as many elevator operators as possible and hand out brochures and talk with them about what we do."

Questions were asked about what procedures the office follows when refund requests are made. Falcon indicated, depending on if the request is a new one, budgets and a brochure are sent out with the application. If the individual calls or comes in, we try to find out if there is anything we should be doing differently or if there is one specific reason for the request. If there is a problem, we have follow-up from the director in that person's district.

Regarding interest on investments and expenditures, everything is on track, with percentages of expenditures being appropriate for this point in the fiscal year.

Falcon wanted to institute regular conference calls before the upcoming budget meeting to help the directors be better informed before having to actually write the new budget.

Chairman DeBuff asked Falcon to find out the legislative appropriation figures for the Committee for the upcoming fiscal year.

5) M/S/C Brian Kaae and Janice Mattson – That the financial statement, through December 2005, be approved, as presented.

Falcon briefed the Committee on the situation with the HRW wheat survey this year. Because other states have chosen to use the "grain shed" concept put forth by Oklahoma, and to use Plains Grains, Inc. to collect and analyze the samples, Montana needs to decide if it wants to:

- a. use Plains Grains for its HRW survey
- b. use Peggy Stringer's enumerators to collect samples and have CII Labs in Kansas do the analysis
- c. do nothing

All options and their benefits and drawbacks were discussed. Falcon mentioned John Oades, USWA/Portland and Jim Christianson, former Executive Vice President of the MW&BC, favor staying with CII to do the testing, for consistency. CII is less expensive than using Peggy Stringer's collectors as she charges \$245 to \$300 per sample. CII would charge between \$6,380 and \$8,700 for 22-30 samples, including testing, reporting and collections. Most of the states sample 110 shuttle facilities and do not collect samples from individual elevators

or producers. Falcon mentioned, regarding the first option, that the biggest wheat buyer from Mexico always utilizes this service because the results are returned to them in a more timely manner.

Fast said we must have reliable market information to show our buyers.

Chairman DeBuff suggested the Committee go off on its own and let Peggy Stringer do the collection and added this is a situation when input from Schock, Vince Peterson, Vice President of Overseas Operations; USWA/DC, Dan Kidd, former MW&BC director, and Jim Christianson would be invaluable.

Schoonover questioned if we'd be doing this for ourselves, the U.S., or our customers. He wondered if sample parameters could be issued before the samples are collected.

DeBuff suggested Falcon write down the two options and their costs, to be given to the Committee before the April 2006 MW&BC Budget meeting.

Falcon briefed the Committee that North Dakota would not be a third partner in funding a project discussed earlier in the year whereby an identity-preserved shipment of Alzada durum would be sent to Italy for testing. DeBuff asked Falcon to contact Tony Flagg, of Pasta Montana, again and see what needs to be done in order to complete this project. It was discussed that Pasta Montana is looking to develop Alzada, not a generic durum, and this variety is not a recommended variety for northeastern Montana growing regions.

6) M/S/C Dan DeBuff and Janice Mattson – That Kim Falcon contact Tony Flagg of Pasta Montana and offer to pay half of the total cost (approximately \$4,500) to send an identity-preserved sample shipment of Alzada durum to Italy.

Schott asked Falcon to verify costs and notify all Board members of these costs for the durum project.

Falcon asked the Committee directors for any suggestions they had on USWA Special projects they might be interested in funding and she distributed a list of projects for their consideration.

Mattson asked that Schock be asked to prioritize this list for the Committee before the April 2006 MW&BC Budget meeting.

Schock, Falcon and Tim Meloy, Attorney for the Montana Department of Agriculture, are developing an Independent Contractor contract to protect Schock and the MW&BC while Schock is representing Montana as Chairman of USWA and to reimburse him for expenses he incurs in traveling and reporting to the Committee. If funded, Schock will be paid on a "grantee" basis and not out of the MW&BC's travel budget.

7) M/S/C Dan DeBuff and Frank Schoonover – That the Committee accept and fund the personal service (Independent Contractor) contract for Leonard Schock for the current fiscal year.

Falcon advised the Committee that the office copier is "on its last legs". She asked if she had the permission of the Board to purchase a new copier which would probably cost \$7,000 to \$8,000, if the old one breaks down before the April 2006 MW&BC Budget meeting.

8) M/S/C Janice Mattson and Frank Schoonover – That the MW&BC office purchase a new copier if the current one breaks down before the April 2006 MW&BC Budget meeting.

Falcon reported on a plan Darin Arganbright proposed to her, whereby a web site would be established so that producers can post what grain they have in their bins so that potential buyers would have access to this information. The Montana Department of Agriculture could be willing to set up the web site, which, it was stressed, was not an MW&BC project or concept. Mattson foresaw a scenario whereby, for example, Great Harvest could go to this web site to find a specific variety they may need for their blends.

Falcon updated the Committee on the proposed Elevator Manager Training sessions to be put on by the Wheat Marketing Center. The cost, per participant, not including transportation to Portland, will be approximately \$930. Ten participants are needed to run the course, but not all must come from Montana. It was also generally discussed that farmers could benefit from Wheat Quality workshops. Falcon was directed to put together some figures on what this kind of program would cost. Fast asked if the MFBF, MFU and MGGA would like to be included.

Tuck, in the interest of time, dispensed with her Information Specialist report but mentioned individual reports such as the Web Trends, Code-a-Phone, Information Specialist Activity Diary and Information Requests Processed log and where they could be found in the meeting packets.

Falcon briefed the Committee on the status of the "Story of Wheat" brochure project in which four entities were offered \$1,000 worth of free supplies of the popular brochure: Wheat Montana, Agriculture in Montana Schools, Great Harvest and Grains of Montana. Great Harvest ordered 500 more books at \$0.36 each and paid for them.

Schott reported on the latest activities of the Wheat Foods Council (WFC). The Summer Board meeting for the Council will be held in Bismarck, North Dakota. Tom Mick, Administrator of the Washington Wheat Commission, is finishing out the year after Ellen Huber quit the Council as Chairman to take a new position. The WFC conducted a strategic planning session to give the group focus. Schott appreciated industry participation in the Council and hopes the organization will continue to partner with industry in the future on research and listening to ideas from that perspective. She is particularly eager to work with the International Food Information Council. 41.3 million Hispanics account for half of the population growth in the U.S. since 1994, so understanding the Hispanic market will be very important. The WFC went over budget and \$800,000 is proposed for its 2006-07 new budget, with over half designated for research and half will go to staff and operations. Schott observed that the WFC president, Marcia Scheideman, has been well accepted by the food community. The WFC has \$614,000 in reserve. The Grains Food Foundation's usual annual budget has been \$3 million. This year's target is bread promotion.

Mattson discussed the outcome of the WETEC vote at the San Antonio meeting, saying they did what they could. States were polled on the amounts of funding levels they anticipated. Montana reported it would not be funding WETEC for the next budget year. The discussion then centered on how to re-divide the current responsibilities of NAWG, USWA and WETEC. NAWG will assume lobbying activities and USWA will deal with trade policies. A vote on a bylaw change to dissolve WETEC will be taken in July at Boise.

Regarding the USWA Committee meetings, Schoonover commented that no one from Montana's delegation was able to sit in on the Long Range Planning Committee chaired by Mattson, but reports are that she conducted a good meeting with a full agenda. He expressed hopes that, in the future, the Phytosanitary Committee will be able to discuss other matters beside Karnal bunt, as that meeting was quite tedious to participate in and it went on past 7:00 p.m.

Of interest is the fact that two Montana representatives will assume the presidency or chairmanship of the two top, national wheat organizations with Dale Schuler heading NAWG and Leonard Schock heading up USWA. Schoonover has noticed, over the many years he has been involved, that Montana has a great presence nationally. Montanans are well prepared and have good reasons for the stands they take. Schoonover indicated Russell Nemetz was a wonderful ambassador when he reported on his trip, and showed news clips funded by the MW&BC to Nigeria, Morocco and Italy to the whole national board of USWA.

DeBuff suggested that the Committee look at sponsoring another person to go on a media trip like Nemetz or perhaps send an MGGA member to a USWA meeting. Schoonover added that it would be good for every

MW&BC director to go to one national meeting for a group they do not have as an assignment because it would be valuable to see why the MW&BC belongs and what is being done in that organization.

DeBuff commented on the good remarks he heard regarding Falcon's presentation to the USWA board on her overseas trip, and also favorable comments on Mattson's work and Schoonover's participation.

Falcon reported on the U. S. Grains Council (USGC) meeting she attended in Tucson, saying the breakout sessions were, "incredibly informative". USGC appears more education- structured than NAWG or USWA and this could be, in part, to industry membership.

Kaae echoed what Falcon said, feeling that the members had a very professional attitude of themselves, rather like they were all businessmen engaged in production agriculture. Kaae was "envious" of all the new uses "corn" has, such as biodegradable utensils and PLA products. He also mentioned, based on Dan Kidd's reports to the Council, that he hoped the MW&BC could retain the current level of commitment. Kaae also thought the breakout sessions were informative. Fast represents Montana on the Rest of World Advisory Team in the USGC. There are also Membership, Value-added and Asia advisory teams. The Council is membership-driven. CEO's are not often in attendance. The USGC also represents corn and sorghum, in addition to barley. Fast took part in three conference calls before the Tucson meeting, including issues on market access, defense of markets and market intelligence.

Discussion came up in this USGC meeting about Avian bird flu now having been confirmed in Turkey, Sudan, Egypt and Morocco. The main meat in these countries is poultry and will remain so until their economies improve so that beef can be included. Consumption of chicken dropped 97% in Turkey, once Avian flu was detected. There is a potential to lose 50 million bushels of feed corn business due to the Avian bird flu crisis.

The distiller dried grains (DDG) market is quite phenomenal, with most going in containers to Asian markets.

China can't afford to use its commodities for ethanol and, as a result, they have only four ethanol plants in China.

The CAFTA (Central America Free Trade Agreement) will dictate that many U.S. markets for feed grains will now be in Latin America.

Regarding barley, the EU is raising feed barley. Taiwan is promoting heart-healthy barley, mixed with rice. Much barley for the pork and fish industries comes from the U.S. The "green pea" issue, in which Japanese barley importers were unhappy to find green peas in their shipments from the U.S., has resulted in the U.S. having been excluded from the last three Simultaneous Buy Sell (SBS) tenders and the problem and potential solutions were again discussed.

The USGC is putting together a poultry association to help foreign customers source feed grain and learn more about animal nutrition, the markets and technology. In this aspect, the USGC is far ahead of other countries or even other governments. The USGC has also started co-ops in foreign countries and has hired consultants to build a model dairy. The USGC has begun to request digestible energy (protein contents) on feed corn for export. DDG's are about 20% protein.

Mattson updated the Committee on the National Barley Foods Council (NBFC). The group is still attempting to get a grant in order to promote the FDA health claim recently approved for barley. Mattson suggested the NBFC consider joining forces with the Whole Grains Council and she prefers to wait and see how things develop before she makes a recommendation to the Board about Montana's future funding for the NBFC.

Schoonover reported on a Varietal Release meeting he attended, stating he also sat in on a "wheat" meeting which was very informative. The latter meeting provided researchers the opportunity to share with each other what is going on in their respective areas. There will be a couple new releases coming out, including some Clearfield varieties. Neeley has been removed from recommendations for District 1 and Falcon, the wheat variety, is not suggested for the southeastern areas. Schoonover mentioned that complete minutes from this meeting are available through Irene Decker at MSU or the MW & BC office. Generally, varieties will be removed from district recommendation lists because of performance problems or a new susceptibility to disease. Schoonover felt this process demonstrated how aware the breeders are about what producers need in specific growing areas.

Kaae mentioned the next meeting of Northern Crops Institute (NCI) is March 10. He felt everyone should attend a business protocol seminar put on by NCI, which could be helpful in dealing with foreign trade teams.

It was suggested Falcon remind the Board, in October, of this protocol seminar. Jacobsen volunteered to help with funding if the MW&BC could bring Patricia Berglund, of NCI, out to put on a short form of the seminar in Montana. Kaae also mentioned a "Milling 101" type class, which will be scheduled out of NCI and he expressed interest in attending that class. Additionally, this is the "on" year for the Advanced Grain Procurement" short course, which is held every other year at NCI.

Kaae reported that Tuck and he worked through the goals for the National Barley Improvement Committee (NBIC) and prioritized them. Kaae's strategy would be to retain funding for projects already on the books and support projects for buildings already under construction. He feels the CREES system should be retained.

Kaae inquired if Robert Candee had been sent information from the Northern Plains Ag Research group. This group brought in a speaker to the Sidney Experiment Station and it, like the NBIC, is always on the lookout for new projects to fund.

Fast asked the MW&BC office to contact MGGA for a list of the other market clubs and send out a letter to all, asking if the MW&BC can be of any service to these other groups. Directors in each district could be the conduit between the office and the marketing clubs.

Discussion was held on how to handle the recording of meeting minutes in the future. Questions were asked about whether policies were in place to address, for example, the length of storage of tapes, should a tape recorder be used. DeBuff suggested the matter be left up the staff, but, for now, the minutes should be recorded manually, and evaluate if this method is satisfactory to all.

Schott offered that while the strategic planning session didn't achieve everything, at least it provided a framework to utilize in forming strategies for the future.

Schoonover will work with Tuck in developing an "Open Letter" to be sent to the media to address the issue of Falcon's need to be away from the office frequently, at the Board's request. Tuck will also work with David Weaver and Don Fast to develop a similar letter on the subject of parasitoids.

The Board asked that staff respond in this fashion if calls come in for Falcon or Tuck, when they are out on business: "I'm sorry. Kim (Cheryl) is away from the office (or out of state) on business representing Montana producers."

Mattson spoke again of the discrepancy between State Grain Lab grain samples charges assessed and those charged to the producer by the grain elevators. As a private producer, she is trying to take opportunities, such as waiting in line to unload grain, to educate her fellow producers about utilizing the State Lab and she suggests that the Montana Grain Elevator Association should be approached about this same matter.

It was reported that Bob Quinn has arranged for the "Follow the Grain" tour group to gain entrance to a very prestigious trade show in Japan.

Mattson expressed a desire to see, during the April 2006 budget meeting, how many check-off dollars are truly organic and Falcon is to follow up on this.

Falcon reviewed upcoming events with the Board. DeBuff said the Board must have budget proposals a week before a conference call is held on budget issues, prior to the budget meeting. It was determined that the proposals should be sent to the Board on March 20th, not March 16th, as indicated on the tentative agenda.

Jacobsen asked if the Board wished to see any changes in how the research review is conducted. Mattson commented the reports seemed more concise and informative and each researcher was cognizant of the time limits. She felt the presentations were something they (the Board) could use in visiting with other growers and in making budgeting decisions for next year.

Concerning the conference call prior to the budget meeting, it was agreed that Dean Jacobsen indicate which research projects are low, medium or high priority.

Falcon mentioned there is a PNW Exporters meeting to be held the first part of March in Portland and executives from Washington, Oregon, Idaho, Montana and North Dakota have been invited. Schoonover suggested Falcon, and perhaps an MW&BC director, attend this meeting. The USWA ALIM meeting in Mexico, on June 26-29, was discussed. Fast will plan on attending the USGC meeting July 22-26 in Newport, Rhode Island. Candee wasn't sure of his plans yet. Falcon was told to go to Rhode Island if there is another FTE in the office by then. Falcon and DeBuff should plan on attending the USWA Marketing and World Staff meeting August 7.

9) M/S/C Frank Schoonover and Brian Kaae – That Kim Falcon's travel for the following meetings be approved – 1) Shipper's Day and the NBIC Meeting, Washington, D.C., March 8-14; 2) Pacific Northwest Exporters Meeting, Portland, February 28 – March 2; USWA Summer Board Meeting, Boise, Idaho, July 15-18; USWA ALIM Meeting, Mexico, June 26-29; USGC Board Meeting, Newport, RI, July 22-26; and the USWA Marketing/World Staff Meeting, (location to be determined later), August 7, 2006.

Schott will collect performance appraisal information from the directors and send it to Deputy Director Clairmont before he meets with Falcon in Helena on March 6 to go through her six-month review process.

Candee asked if the Board would be willing to extend a grant to build a bio-diesel and/or ethanol plant. It was suggested Candee tell whomever his contact is that a proposal could be submitted to the Board for their consideration.

A call was made for public comment. None was made, as no guests were present at this time.

10) M/S/C Don Fast and Janice Mattson – That the meeting be adjourned at 4:00 p.m.